

ASSIREVI
Associazione Italiana Revisori Contabili

Al Presidente

International Ethics Standards Board for Accountants
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, NY 10017

31 October 2012

Dear Sirs,

Assirevi is pleased to comment on the International Ethics Standards Board for Accountants *Proposed Change to the Definition of Those Charged with Governance*.

Assirevi is the association of Italian audit firms. Its member firms represent the majority of the audit firms under the oversight of CONSOB (*Commissione Nazionale per le Società e la Borsa*) and are responsible for the audit of almost all of the companies listed on the Italian stock exchange. Assirevi promotes technical research in the field of auditing and accounting and publishes technical guidelines for its members. It collaborates with Governmental bodies, CONSOB, the Italian accounting profession and other bodies in the development of auditing and accounting standards.

Our detailed comments are set out in the attached document.

Should you wish to discuss our comments please do not hesitate to contact us.

Yours faithfully,


Mario Boella
Chairman

COMMENTS ON THE IESBA EXPOSURE DRAFT

Proposed Change to the Definition of Those Charged with Governance (July 2012)

Responses to requests for specific comments.

Question 1: Do respondents agree with the proposed change to more closely align the definition of “those charged with governance” to the definition contained in ISA 260, *Communication with Those Charged with Governance*?

ASSIREVI agrees with the proposed change to the definition of “those charged with governance”. It is appropriate for the definition contained in the Code of Ethics to be aligned to the definition in ISA 260. This alignment will provide greater clarity for practitioners by eliminating any possible confusion that could arise from a definition that is different from ISA 260.

We note that the proposed definition of “those charged with governance” includes among others “management personnel”. We also note that ISA 260 contains a definition of “management” as “The person(s) with executive responsibility for the conduct of the entity’s operations. For some entities in some jurisdictions, management includes some or all of those charged with governance, for example, executive members of a governance board, or an owner-manager”.

On the other hand the Code of Ethics contains a definition of “director or officer” as “those charged with the governance of an entity, or acting in an equivalent capacity, regardless of their title, which may vary from jurisdiction to jurisdiction”. We question whether an officer is always a member of “those charged with governance”. While a Chief Executive Officer will almost always be one of “those charged with governance” other members of management with titles such as Chief Compliance Officer, Chief Information Officer or Chief Accounting Officer are clearly not charged with “overseeing the strategic direction” of an entity but rather are charged with specific management duties. We note that ISA 260 refers to “directors” as being part of “those charged with governance” while officers are not mentioned at all.

In our opinion, for greater clarity, it would be useful to provide a definition of the term “management” and include in the Code of Ethics the same definition that is included in ISA 260. We also believe that the definition of “director or officer” be corrected so as to avoid suggesting that all corporate officers are “charged with governance”.

Question 2: Do respondents agree that in each case as noted in the Exposure Draft, communication to “those charged with governance or a subgroup thereof” would be appropriate?

It is proposed to state throughout the Code of Ethics, in each case communication to those charged with governance is required, that such communication be to “those charged with governance or a sub-group thereof”. We believe that the wording is cumbersome and question whether it meets the purpose of reminding practitioners that communicating with a sub-group may be sufficient. Paragraph 290.28 provides a comprehensive explanation as to what constitutes

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communicating with those charged with governance including when communicating with a sub-group is acceptable. Accordingly, we see no reason for the words “or a sub-group thereof” to be repeated throughout the Code. We also note that, as currently constructed, practitioners may be led to think that communicating to a sub-group is always an acceptable alternative to communicating with the wider group when in fact it is not, as explained in paragraph 290.28.

Milan, 31 October 2012